

Metro Bank

RateSetter Secured Hire Purchase Loan

Factsheet for distributors

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Introduction

What is this document?

This summary document is being provided to you to fulfil Metro Bank's responsibilities under PRIN 2A.4.15R and PRIN 2A.3.12R (2). It is designed to support you to comply with your responsibilities under PRIN 2A.3.16 R and PRIN 2A.4.16 R. Please note that you are ultimately responsible for meeting your obligations under 'The Consumer Duty'.

This document is about the Secured Hire Purchase Loan product, manufactured under the RateSetter brand.

This information is intended for intermediary use only and should not be provided to customers.

Product fundamentals

What are the fundamentals of the product?

The RateSetter Secured Hire Purchase Loan is a retail lending product where Metro Bank (trading as RateSetter) lends a sum of money to a customer to purchase a car in exchange for repayment of the principal amount, plus any associated interest and fee. The loan is secured against the car upon completion of the application process. The brokerage receives the money upon pay-out, triggering the beginning of the agreement and the release of the vehicle to the customer. The customer is expected to repay a fixed monthly amount. Unless settled early, these payments continue for the agreed term and until the total amount payable is repaid. At the end of the term, the customer has the option to purchase the vehicle for £0.01p.

Loan features:

- Amount: £3,000 – £50,000
- Term: 2 – 5 years
- APR: offering up to 19.9%

Below is a list of benefits/service options:

- Ability to finance a car according to the customers' needs.
- Applications may be provided with an instant decision. Alternatively, when the application is referred, we aim to provide a decision within 1 working day.
- All customers are expected to complete the application via e-sign.
- Following completion, funds are sent to the broker as part of the self-invoice process and fulfilment obligation of the car.
- Option for the borrower to select a regular monthly repayment date to suit them (between 1st and 28th of the month).
- Option to pay back the full amount outstanding early without penalties or early repayment charges.
- Multiple servicing options: (1) visit their online account to view their balance and repayment schedule, make a payment, and other actions, and (2) call/email/write to a dedicated UK customer service team for help and support.

Target market

Who is our target market and how do we distribute the product to them specifically?

The product targets adults living in England, Scotland, and Wales, with good credit history, the means to afford the borrowing, and are looking for a secured hire purchase loan to finance a used car from a dealership. This product is exempt for applicants requiring a balloon payment structured product.

The product is for individual applicants only; businesses and joint applicants aren't eligible. The product is not suitable for applicants requiring commercial use of a car.

We support prospective customers in making their own suitability and affordability assessments for the product by providing lending at a fixed rate, with fixed monthly repayment amounts. All associated costs of credit are being communicated to the borrower through the broker journey and re-iterated clearly as part of the pre-contract and e-signature steps of the journey. More specifically, personalised rates (APR, and interest rate) for each customer are returned by our API to the broker.

Eligibility

What are the applicants' characteristics requirements?

The product has eligibility criteria. This criterion is provided to the brokerage and applications that fall outside of this will automatically be declined via our decision engine.

Customer must:

- Be 21 years of age or over.
- Hold a UK bank or building society account.
- Have been a UK resident for a minimum of 3 years.
- Have a regular source of income paid monthly of over £16,000 a year (before tax).
- Have a good credit history, no County Court Judgements, bankruptcies, or debt relief orders on their credit file.
- Have a full, in date, UK or EU licence.

Outside of eligibility:

- Borrowers cannot be over 75 at the time of application.
- Borrowers cannot be unemployed.
- Borrowers cannot be students.

In addition to the above criteria, applicants must satisfy our credit, affordability, and KYC checks before being approved for the product.

What are the car eligibility requirements?

- The car must be from a reputable dealership with an FCA licence.
- The car financed must be a used car, up to the age of 12 years old at the end of the agreement, with less than 100,000 miles at the start of the agreement.
- Petrol, diesel, hybrid, and electric (car battery cannot be leased) cars are eligible for the RateSetter HP Loan product.
- The maximum Loan to Value is 120% (based on Glass's Retail valuation). Glass's is our chosen partner for automated valuations of cars upon application.
- CAP HPI is used to conduct checks and register Metro Bank's interest on the chosen car upon application completion.

All applicant decisioning is in-house, called on by brokers via an API connection. Therefore, Metro Bank have control over which customers receive an approval and what their APR will be. Thorough checks are completed throughout the application journey to ensure suitability and affordability is in line with our target market.

Vulnerability

Does our product and distribution strategy potentially lead to worse customer outcomes for vulnerable/potentially vulnerable customers?

The product is designed for individual borrowers, which is likely to include some customers with characteristics of vulnerability or who will experience vulnerability over time.

A vulnerability impact assessment has been completed. It concluded that we have appropriate product design and distribution. The product is not expected to deliver worse outcomes for vulnerable customers.

At the point of on-boarding, we recognise that our target market is prime, with a good credit history and a stable income (for which we capture evidence during underwriting) – which provides high confidence of consumer's financial resilience.

We required a valid driving licence, as part of the customer application journey, which mitigates some of the vulnerability risks. Appropriate support and alternative format communications are available on request and communications are under continuous review for further enhancements.

In addition to our preventative controls, through our internal back-office system, we have the functionality to flag customers who we understand to be vulnerable. This ensures that we can support the borrower and that we can track vulnerability at a portfolio level.

Our customer service team are trained to handle vulnerability calls and follow a prescribed call flow process (TEXAS¹) to ensure they capture information and support the borrower appropriately.

As an intermediary, brokers should comply with their obligations to treat customers in vulnerable circumstances fairly. If a broker establish that a customer is vulnerable, we expect to be notified by the broker via email.

Distribution strategy

What is our distribution strategy?

The RateSetter Secured Hire Purchase loan is distributed via FCA approved and regulated brokers through APIs.

Fair value assessment

Does our product offer fair value with respect to the benefits and the applicable costs?

We have developed a comprehensive and robust assessment process which evaluates several aspects of our business to determine the value of our product. As part of our new product development governance and documentation, we have established that the product does offer fair value for the benefits and costs to the borrower. The benefits and costs of the product are clear.

Metro Bank sets the final price (APR) offered to the customer and distribution charges (commission) paid to the broker for the introduction.

We complete market analysis and external benchmarking regularly to ensure our rates are fair and comparable to our peers in the market. We do not charge any upfront fees, and there are no early repayment fees. There is an option to purchase fee of 1p at the end of the agreement, which is incorporated in the last payment schedule. The customer may be charged a £10 fee in the event of a late payment. An additional fee that may occur is a repossession fee up to £400 (the fee will not exceed the Bank cost).

Pricing of Secured Hire Purchase Loans is changed periodically, in line with market trends and business objectives. To ensure this doesn't adversely cause unfair value to customers, pricing is set within strict parameters approved by appropriate internal committees.

If a customer wants to keep their chosen car but cancel their finance agreement, they can do so by notifying our customer service team and repaying the loan drawdown amount and any interest accrued.

If a customer experiences car issues, they can contact the broker's customer care/complaints team who will liaise between the dealership and customer to sort a resolution. In an event that a car quality complaint is upheld, an unwind will follow with the broker repaying Metro Bank the drawdown loan amount when the customer returns the car to the dealership. No early settlement fees will apply, and no interest will accrue for the customer to pay.

Customers can also settle their agreement at any time by repaying the total amount, including any interest accrued and 1p Option to Purchase Fee. No early settlement charges will apply.

In the event of a cancellation, unwind, or settlement, Metro Bank will de-register the car.

Customers have the option to Voluntarily Terminate their agreement under the Consumer Credit Act 1974, section 99, and hand the car to Metro Bank at any point. If the customer has paid more than 50% of the total amount payable under the agreement, is up to date with their repayments, and the car doesn't have any damage above wear and tear, they may do so with no further monies owed. If the customer has paid less than half of the total amount payable, is in

¹ <https://www.gov.uk/government/publications/debt-management-vulnerability-toolkit/debt-management-vulnerability-toolkit>

arrears or the vehicle is damaged, the customer has the option to agree an affordable repayment amount with Metro Bank for any remaining liability with no additional interest being charged on the balance.

In any event of a customer not maintaining their fixed monthly repayment amount, Metro Bank will liaise with the customer to either gain consent of a voluntary surrender of the car or will pursue a repossession.

Outcome monitoring

Do we have outcome monitoring in place, and to what extent?

Yes, we have detailed reports that track both portfolio performance and customer outcomes. These are then discussed in several forums, with appropriate frequency, to ensure the observations are meeting our expectations. This includes arrears analysis, where we can validate that levels are in line with our expectations given our identified target market. In addition, we pay close attention to complaints data and external indicators such as Trustpilot to ensure the product is meeting the expectations of our customers. Any trends and/or observations outside of our expectations are flagged for discussion and action, as required.